<u>**REMARKS/ARGUMENTS**</u>

Prior to this amendment, claims 1-17 and 19-21 were pending. By way of this amendment, claims 1, 8, 15, 16, and 21, are amended, no claims are added, and no claims are canceled. No new matter is added. Thus, after entry of this amendment claims 1-17 and 19-21 are pending.

I.   <u>Claim Rejections – 35 USC § 103(a), Knudtzon, McClendon, Beams</u>

Claims 1-4, 8-11, 15-17, and 21 were rejected under 35 U.S.C. §103(a) as being unpatentable over *Knudtzon* (U.S. Patent No. 7,120,597) in view of *McClendon* (U.S. Publication No. 2003/0046194), and further in view of *Beams* (Beams, Floyd A. – Advanced Accounting, 1992, 5th Edition). This rejection is traversed.

A.   <u>Proposed Modification Renders Prior Art Unsatisfactory for its Intended Use</u>

The combination of references as proposed by the Examiner renders the primary reference, *Knudtzon,* unsatisfactory for its intended use. As stated in the MPEP, "If proposed modification would render the prior art invention being modified unsatisfactory for its intended purpose, then there is no suggestion or motivation to make the proposed modification. *In re Gordon*, 733 F.2d 900, 221 USPQ 1125 (Fed. Cir. 1984)." MPEP 2143.01(V).

For example, claim 1 recites in part, "*A post module......for posting....accounting adjustment entry ...and ...consolidated accounting adjustment entry... to the consolidation ledger."* The Final Office Action mailed December 8, 2009 (FOA) admits that such a limitation is not disclosed by *Knudtzon.*(FOA, Pg. 4). The Examiner alleges such a limitation is disclosed by *McClendon*. Even if such a limitation is *in arguendo* disclosed by *McClendon*, the combination would render *Knudtzon* unsatisfactory for its intended use.

Knudtzon describes an overlay system which allows service providers to enter adjustment data which is combined with data that has already been entered into a general ledger. (Column 7, lines 19-35). The overlay systems combines overlay adjustment data with the overlay general ledger to obtain adjusted overlay general ledger data, which can be filtered, sorted and/or

formatted by the overlay report system to obtain overlay reports. (Column 7, lines 56-61). The overlay system allows for the overlay adjustment data that was entered by the user to be stored in an overlay adjustment journal for later use. (Column 8, lines 58-61). Certain adjustments need to be permanent are entered using the host accounting system, while adjustments needed for reporting purposes will be made only in the overlay system. (Column 5, lines 11-18).

As such, *Knudtzon* specifically segregates adjustments that are not permanent to the overlay system, as permanent adjustments would be made to the host system. This is for purposes of isolating temporary adjustments to the overlay system, If adjustments were posted form the overlay system to the host system, as proposed by the Examiner, it would render *Knudtzon* unsatisfactory for its intended use, because adjustments to the overlay system would no longer be isolated to the overlay system.

B.   Combination Alters the Principle of Operation of the Primary Reference

In both the FOA and the Advisory Action mailed on March 30, 2010 (AA), the Examiner has failed to respond to applicants' argument that the proposed combination of references alters the principle of operation of the primary reference and is thus improper. Instead, the Examiner sets forth his rationale for combining the references. Applicants do not agree with the Examiner's rationale for combination of the references, however this is not what is being argued. Applicants are arguing that no rationale for combination of the cited references is proper, because the combination would alter the principle of operation of the primary reference.

As clearly stated in the MPEP, "**If the proposed modification or combination of the prior art would change the principle of operation of the prior art invention being modified, then the teachings of the references are not sufficient to render the claims *prima facie* obvious.** *In re Ratti*, 270 F.2d 810, 123 USPQ 349 (CCPA 1959)." MPEP 2143.01(VI) (*emphasis added*). In essence, the Examiner's motivation to combine the references is irrelevant because a *prima facie* case of obviousness cannot be made if the combination alters the principle of operation of the primary reference.

As described above, *Knudtzon* describes a system wherein a host system and an overlay system are isolated from each other. The addition of *McClendon* as proposed by the Examiner would allow adjustments from the overlay system to be posted to the host system. The principle of operation of *Knudtzon* is to isolate the host and the overlay system. The combination proposed by the Examiner eliminates this isolation, thus alters the principle of operation of the primary reference. Because the principle mode of operation of *Knudtzon* would be altered by the combination proposed by the Examiner, a *prima facie* case of obviousness cannot be established, regardless of the alleged motivation to combine the references.

C.   **Each and every limitation is not taught or suggested**

Each and every limitation of the claims as amended is not taught or suggested by the cited references, alone or in combination. The independent claims have been amended to improve their form and to clarify the distinctions over the cited references. For example, the claims have been amended to indicate that an adjustment entry will result in two rows of transaction details. One will be the adjustment, and the other will be the corresponding offset as provided for by double entry accounting. *Knudtzon* generically describes adjusting entries, but provides no details that would enable one of skill in the art to know how those entries affect the entries in an accounting adjustment journal. The addition of *McClendon or Beams* does not resolve this discrepancy, as neither of those references describes an adjustment entry that results in at least two rows of transactions details.

Knudtzon also does not disclose a proforma consolidation processor that processes the at least two rows of transaction details to create two rows of consolidated transaction details, one of which corresponds to the adjustment, and the other corresponding to an offset, then storing these consolidated transaction details independently of the consolidation ledger, further using the account codes for later computation of ledger balances and for posting the two rows of consolidated transaction details to the ledger. At best, *Knudtzon* describes a host system and an overlay accounting system. However, in each of those systems, consolidations must be performed on the entire ledger. There is no mechanism described to isolate the transaction details, here the two rows of consolidated transaction details, from the overall ledger. As such,

consolidation requires processing the entire ledger. Embodiments of the present invention advantageously overcome this shortcoming of *Knudtzon* by separating the consolidated transaction details from the ledger. Through the use of the account codes, only the specific ledger rows that are affected by the adjustment need be updated.

The addition of *McClendon or Beams* does not resolve this discrepancy, as neither of those references describe isolating consolidated transaction details from the ledger, and then later posting those details based on matching of account codes. At best, *McClendon* generally describes posting lines to a ledger. However, *McClendon* does not describe modifying lines that have already been posted to the ledger. This discrepancy is not resolved by *Beams,* which is simply a page from an accounting textbook showing page from a set of working papers.

Withdrawal of the rejections of claims 1, 8, 15, 16, and 21 is respectfully requested for reasons including at least those set forth above. Claims 2-4, 9-11, and 17 are allowable at least by virtue of their dependence on their respective independent claims.

II.   Claim Rejections – 35 USC § 103(a), Knudtzon, McClendon, Beams, AAPA

Claims 5-7,12-14, and 19-20 are rejected under 35 U.S.C. 103(a) as being unpatentable over *Knudtzon* in view of *McClendon* and in view of *Beams* as applied to claims 1-4, 8-11, 15-17, and 21 above, and in further in view of Applicant Admitted Prior Art (AAPA). This rejection is traversed. Claims 5-7, 12-14, and 19-20 are allowable by virtue of their dependence from their respective independent claims, as discussed above.

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PATENT

CONCLUSION

In view of the foregoing, Applicants believe all claims now pending in this Application are in condition for allowance. The issuance of a formal Notice of Allowance at an early date is respectfully requested.

Further, the Commissioner is hereby authorized to charge any additional fees or credit any overpayment in connection with this paper to Deposit Account No. 20-1430.

If the Examiner believes a telephone conference would expedite prosecution of this application, please telephone the undersigned at 415-576-0200.

Respectfully submitted,

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